ER&R Survey Results

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Here is the summary of ER&R rates provided by 17 of the 39 counties in Washington State:

Vehicle	Agencies	Rate	Range	Average
4x4 Pickup	4	Per Mile	$0.60 to 0.89	$0.72
	11	Per Hour	$7.00 to $18.00	$10.71
	2	Per Month	$930 to $1,100	$1,015
10 Yd Dump	16	Per Hour	$15.00 to $53.52	$31.97
	1	Per Month	$2,640	$2,640
Grader	16	Per Hour	$13.50 to $68.19	$46.38
	1	Per Month	$2,520	$2,520
966 Loader	16	Per Hour	$15.50 to $82.89	$50.99
	1	Per Month	$1,840	$1,840
Sedan	5	Per Mile	$0.35 to $0.55	$0.42
	2	Per Hour	$9.00 to $9.50	$9.25
	6	Per Month	$345 to $700	$523.33
	1	$185.37 per month **plus** $0.25 per mile		
	3	No sedans in ER&R fleet		
Patrol Car	6	Per Mile	$0.50 to $0.69	$0.62
	3	Per Month	$1,345 to $2,000	$1,571.67
	1	$314.90 per month **plus** $0.37/mile		
	1	$900 per month **plus** Actual Fuel		
	1	$0.29 per mile **plus** Actual Fuel		
	5	No patrol cars in ER&R Fleet		

Disclaimer: This data is provided for information only. The rates set by each county vary widely based on local factors such as number of vehicles, usage rates, weather, topography, tax base, and county size.

Comments offered on ER&R Issues

Tim Fife, Franklin County:
We are making a presentation to our Commissioners to adopt a "fuel surcharge" rate for the final 6 months of 2008.

Grant Morgan, Garfield County:
We performed a fleet analysis (life cycle cost, operational cost, replacement schedules, fuel cost, useful life analysis, etc.) on all our equipment last year and adjusted our rental rates. We are currently in the process evaluating the effects the rising fuel costs on all of our operations including equipment rental rates. Garfield County has really cut back on high cost maintenance activities such as crushing, grading and rocking. We put a hold on all equipment purchases this year and are not acquisitioning any high cost supplies or materials.

Malissa Curren, Grant County:
Here in Grant County we evaluate the rental rates every fall to determine if any adjustments to the rates need to happen. If has been quite the effort to try to keep up with the rising price of fuel. We are anticipating a net rate increase of 15% this year. Replacement rates are figured on 1.5% inflation. This has been sufficient so far, but we may increase to a 2% or 2.5% rate if inflation increases.

Jack Taylor and Glenda Klingensmith, Island County:
In answer to the question about the increased costs associated with the equipment, we have over the last few years fine tuned the process we use for determining the rental rates. A couple things we have done are: (1) update replacement costs to make sure the increase in the CPI percentage is being factored into the rates; (2) factor in anticipated operation & maintenance costs over the life of the equipment rather than just life to date costs. I hope this is of some help. If you have any questions please let me know.

Monte Reinders, Jefferson County:
Thanks to legislation passed last year, Jefferson County public works does not manage the ER&R fleet. As a customer of ER&R, I can offer the following information:

Our rates have gone up substantially to cover increases in fuel costs as well as labor for maintenance and parts. In order to cope with this and increases in materials costs (for asphalt products) coupled with the loss of 25% of our operating revenues (via the Secure Rural Schools Act which provided as much funding as we get through gas tax) we have extended the life on most of our fleet and not filled 7 open positions (split between office and maintenance). Even with the current cuts, we still project that we will run out of money in 4 years, so further adjustments will be made unless this revenue source is replaced.

Kathy Jurgens and Doug D'Hondt, Kittitas County:

Our E.R. & R. equipment rates were adopted December 2007, effective January 1, 2008. We anticipate that we will see an increase in our rental rates in 2009 as a direct result of the higher fuel costs. In addition to looking at the individual profit/loss of a piece of equipment we also look at the class of equipment as a whole. Generally we try to adopt rental rates for the class of vehicles in order to eliminate selective use of equipment based on individual lower rental rate. Rental hours (and wear and tear on equipment) are spread more uniformly amongst the class.

We will be reviewing our equipment costs and revenues this fall with new rates to be adopted in December for 2009.

Gordon Kelsey and Steve Nygaard, Klickitat County

Starting in 2005 we increased the annual inflation rate in my calculation for replacement from 3% to 5%.This has proved to be more accurate. As of the first of July 2008 we calculate the need to increase the rental rate $1.00 per hour to address an increase in the shop rate and an increase of $5.00 to $6.00 to address this year's fuel costs alone. It's hard to tell what next year will bring but for every dollar increase in the price of fuel it will require a five dollar increase to the rates.

Debbie Orvis and Bob Bershears, Lincoln County

Lincoln County is monitoring our equipment rates monthly because we are very concerned about the price of fuel, oil, parts etc. So far we are holding our own as far as O & M goes but we find it increasing difficult to purchase new equipment and this has been a problem for several years. We have talked about raising our rates or adding a fuel surcharge.

Dave Loser and Bill Tabor, Mason County:

We budget each vehicle separately at Mason County. Two rate structures are used, long term, these are monthly rates used by everyone but Public Works, and short term, these are hourly rates only used by Public Works. Our rates are all inclusive, including depreciation, maintenance, insurance, fuel and replacement.

We have a calendar year budget cycle, so I'm setting the rates for 2009 at this time. I'm expected to hold the rates constant throughout the budget year to avoid departmental budget problems.

Replacement costs are a part of each vehicle rate. I estimate the replacement cost of the vehicle during the budget cycle and accelerate the cost forward to the predicted end of life. We are currently using 4% per year as the predicted price increase. By accelerating from the current expected replacement cost rather than the original cost, it helps correct for changes in technology as well as inflation. This process came from the 1990's when patrol cars went up at 8-9% per year. We were caught short without enough funds to replace some cars.

Usage is always an issue when setting the Public Works hourly vehicle rates. I look at usage history when estimating rental rates, but Public Works has many pieces of expensive equipment that may or may not be needed, depending on the work and projects. The desire is always to have your own piece of equipment or the equipment may be impossible to rent when needed. If a piece of equipment is falling financially behind, a serious look should be given to why you own it and the possibility of renting vs. owning. If ownership is the only option, then everyone needs to understand the costs associated.

Fuel is currently the major reason for financial problems. We predicted $3.25 for the average cost of diesel and unleaded for 2008. We are predicting an average of $4.75 for unleaded and $5.00 for diesel for 2009. By including fuel in the rental rates we are assuring financial problems.

No one wants to predict fuel prices too high and drain scarce county funds to the ER&R fund, but if the expected costs are set too low, we end up jumping rates to "catch up", surprising the users when they expected a graduated rate increase. Moving the fuel out of the rental rates would make the users more aware of fuel costs and usage, but would cause possible major problems at the Commissioner and Departmental level to find fuel funds late in the budget year. There is no real answer for this, our budgeting cycle cannot easily respond to abrupt changes.

Jerry Paul and Bob Breshears, Okanogan County:

At the beginning of the year we added 10% to our rental rates, however we had come to the realization this was still far from covering the costs of new equipment and **fuel**. We had to go in and raise the rental rates to the appropriate rates. Mainly due to 186% rise in fuel costs in the past 2 years, we could no longer absorb. This is going to have a large impact on the road department for projects and maintenance, by having to raise the rates substantially.

Don Ramsey, Pend Oreille County:

ER&R rates are falling behind in regard to fuel, oil and other petroleum based parts and supplies.

Our current rate schedule is based on mileage/hour usage only.

We are intending to change the rate to the sum of the following:

1. Fixed monthly charge for replacement, insurance and other fixed costs
2. Fuel consumed at our cost plus overhead
3. Maintenance and repairs at shop rate including overhead

Brian Stacy, Pierce County:

1.) Equipment Manager implemented rate increases - 7% in 2007, 8% in 2008, 14% in 2009 (projected) to offset fuel price increases *rate increases only apply to equipment using fuel.

2.) Fleet Operations Manager (sedans and Police cruisers) Implemented a phased fleet upgrade to Hybrid vehicles to off-set future fuel prices *30 hybrid vehicles in service as of 7/08.

3.) Increased awareness to staff to minimize / eliminate idling.

Larry Douglass and Tim Homann, Skamania County:

Our county too has been closely monitoring the increasing fuel rates and what it is doing to the fund. We approached the BOC about 2 months ago and let them know that we would be falling behind due to the fuel prices and that the fund would be able to make it through the year without requesting rate increases as we had some room to play with from prior years.

We will implement starting in 2009 that each department will monitor their use and pay for their actual fuel charges. It is our hope that the departments can find ways to monitor their fuel consumption as they are paying for the actual costs now and not just a mileage rate that they never really see what it is doing until next year's rate increases. ER&R will pay the fuel bill for each department and the users will reimburse quarterly to include admin charges to ER&R. The ER&R Fund will charge and hold funds for maintenance and replacements only. The maintenance rate is based off of actual mileage or hours used and the replacement rate will be a monthly fee and based off of the life cycle the department chooses to operate a vehicle. It is the intent to recover full replacement cost by the end of the life cycle of their fleet and includes a 2.5% inflation factor, per year.

For budgetary and accounting purposes, we have the following rates for vehicles that include fuel. The fuel charge is based off of average use over the last two years and tied into a projected fuel cost for next year, so we're hoping we are close. Without including fuel rates in our cost accounting program, we had no way to charge actual costs to the projects, etc for the various departments. At the end of the year, we will know if we hit the mark and adjust accordingly.

Allen Mitchell and Owen Carter, Snohomish County:

Snohomish County's model for rates has changed over the past couple years to better recoup costs. There are two main components to rates - fixed and variable costs.

Fixed Costs: In our rate model the future value of equipment at replacement is projected to the year of replacement. We then estimate salvage value at replacement. We subtract the salvage value from future replacement cost to get the total fixed cost. The fixed cost is divided by years of life to get annual cost. The annual cost is divided by 12 to get the monthly cost for rental rates.

Variable Costs: Fuel, parts and labor are the variable costs for rates. Utilization is factored in the rate model (either miles or hours). In addition we have indirect costs for facilities, computers, charges for service from internal departments, etc. All of these costs must be captured in rates plus anticipated inflation. For example, to build 2009 and 2010 rates we started with 2007 actual fuel, parts and labor data from our fleet system. To each service we add mark-ups to recapture the indirect costs. The mark-ups are applied to each service and are applied similar to an automotive dealership:

Fuel mark-up = fuel cost + 5%
Inventory parts mark-up = parts cost + 49.8%
Non-inventory parts mark-up = cost + 10%
Labor mark-up = cost + 53.4%

To address the volatility of fuel, we invented a market adjustment factor that gets applied to our actual historical fuel cost. In that we estimate the future cost of fuel and apply the % increase to better keep up with the market. For 2009's budget we estimated fuel cost to average $4.75 per gallon (+60% from 2007actual); for 2010's budget we estimated fuel cost to average $5.25 per gallon (+ 77% from 2007 actual).

Pete Ringen and Josh Tallman, Wahkiakum County:

Our formula for our ER&R rate takes into account current replacement costs, not just purchase cost. Yes, fuel cost increase is a significant factor, but we will adjust for that in our new rates as we adopt next year’s budget. Our ER&R fund seems to be holding it’s own, just hope the Commissioners don’t try to raid it, as the current expense fund here is in big trouble.

Our sheriff’s fleet is very small (only 10 total vehicles and 5 Ford Crown Victorias). Likewise our entire county fleet is small. We typically manage the fleet on an individual vehicle/equipment basis rather than by a classification (i.e. patrol cars, dump trucks, etc.). This way we are sure that we have collected enough revenue for operating, maintenance, and replacement costs for that individual vehicle. Another reason for our difference in rates is that some of the deputies do not patrol or drive as much as the others, so their average utilization varies. The rates are reviewed throughout the year and changed if needed. They are also revised every year at budgeting time to become effective Jan. 1, of the following year.

Gary Ekstedt, Yakima County

Other than monitor our O&M costs, and manage the system, we really don't do anything special. For gasoline fueled vehicles/equipment we are looking at an average 25% increase in rental rates for 2009; for diesel equipment, about an18% increase.